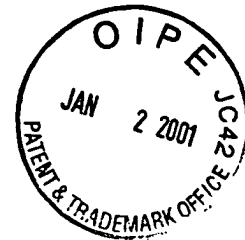


## Sample Calculation of Sector's Expected Return and Range of Returns

(2)

### Inputs in Options! Model (1) for the S&P 500

Stock Price (of S&P 500) (2):	126.474
Exercise Price (3):	128
Risk Free Rate (4):	5%
Call Price (5):	64
Days until Expiration (6):	90



### Output:

Standard Deviation (annualized) 2.75%

### Expected Annual Return:

Current Value (7):	1264.74
Futures Value (8):	1328.8
Expected Appreciation Annualized (9):	5.06%

Expected Range of Returns (10): 2.31% to 7.81%

### Notes:

- 1) The Options! computer model was provided with the textbook "Options: the Investor's Complete Toolkit" by Robert Kolb, and is based on the Black-Scholes Option pricing model
- 2) The current price of the S&P 500 divided by 10 (see Exhibit A)
- 3) The exercise price per the listed options price in the Wall St. Journal divided by 10 (see Exhibit B)
- 4) The price of 10 year US Treasuries per the Wall Street Journal (see Exhibit C)
- 5) The price for the call option per the Wall Street Journal (see Exhibit B)
- 6) There are approximately 90 days until the expiration of the March options.
- 7) The current price of the S&P 500 per the Wall Street Journal (see Exhibit A)
- 8) The Futures Value per the Wall St. Journal (see Exhibit D)
- 9) The Futures Value divided by the Current Value and annualized
- 10) The Expected Appreciation adjusted for two Standard Deviations